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STATE FOR NEA/ARP, EEB/ESC

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TAGS: [PREL](#) [ECON](#) [ENRG](#) [EPET](#) [IR](#) [MU](#)
SUBJECT: OMAN REMAINS IN THE HUNT FOR GAS

REF: A. MUSCAT 297
[1](#)B. MUSCAT 200

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b and d)

[1](#)1. (SBU) On April 22, Omani media outlets carried front-page stories on the signing of a memorandum of understanding (MoU) regarding the "joint development" of the Kish gas field with Iran and the exporting of Iranian gas to Oman. The MoU was reportedly signed by the Iranian Deputy Minister of Oil and Omani Minister of Commerce and Industry Maqbool bin Ali Sultan. (Note: Maqbool also serves as Chairman of Oman Oil, the government company heavily invested in gas-based industrial projects in Sohar. End Note.) While further details on the agreement were characteristically scant in the Omani press, Iranian media reported the project was valued at \$7 billion, with the potential to increase to \$12 billion.

[1](#)2. (U) The signing in Tehran took place during "Oil and Gas West Asia," Oman's showcase biennial oil and gas exhibition. During the opening plenary, Dolphin Energy General Manager Ibrahim al-Ansari told conference attendees that the three-nation project would deliver Qatari gas to Oman during the second half of 2008. Oman's importation of gas represents a reversal of its fortunes, as it had been exporting limited amounts of gas to the United Arab Emirates for a specific project in Fujairah via the Dolphin line since [1](#)2004. Ansari remarked that Oman would receive 200 million standard cubic feet (scf) of gas on a daily basis for 25 years, thus "securing a long-term energy source at competitive prices."

[1](#)3. (C) On the margins of the conference, Econoff spoke with Dolphin Energy official Stephen Kemball about Oman's intake of gas from the Dolphin project. Kemball noted that most of Oman's supply would go to Occidental Oman's Mukhainza field to aid in oil recovery efforts. (Note: Occidental is an investor in the Dolphin project. End Note.) While he stated that the pipeline's traffic may expand to 3.2 billion scf from its current 2 billion scf of volume once the Qatari government frees up additional supply, he clarified that none of the additional quantities would be destined for Oman. "Oman's in a tough place," mused Kemball. "They sold their gas dirt cheap to the Asians, and now they have limited options in securing additional supplies from the region." Asked about the possibility of Oman working with Iran on joint exploration projects, Kemball did not provide a direct response, but stated that French company Total was the only foreign entity well positioned to profitably do business in the Iranian hydrocarbon sector. He added, however, that because Iran's oil ministry was in such disarray, "It would be difficult for (the ministry) to work with anyone."

[1](#)4. (C) Comment: As reported reftels, there remains a good deal of skepticism from both public and private sector sources that continuing discussions on Omani-Iranian joint gas explorations initiatives will actually produce meaningful

results, in spite of Iranian media efforts to trumpet the possibilities or imply that a completed deal is within reach.

Of greater importance to Oman is the success of BG Oman and BP Oman in unlocking hard to get gas reserves in blocks 60 (Abu Butabul) and 61 (Khazzan and Makarem), respectively. Significant progress in ramping up its domestic production would diminish the sense of urgency behind Oman's discussions with Iran on joint gas initiatives. End Comment.
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